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## DOCUMENTS, REPORTS, AND LEGISLATION

### Industries and Commerce

REPORT OF THE MASSACHUSETTS COMMISSION ON COLD STORAGE. The public concern with economic and social effects of cold storage is reflected in the facts that in the year 1911 laws regulating cold storage were passed in five states while in several other states bills were introduced. The only state legislation of earlier date is a Kansas law of 1907 which was intended merely to prevent the storage of undrawn poultry, game, and fish.

The Massachusetts legislature responded to the public interest in the subject by providing in July, 1911, for a commission of citizens to be appointed by the Governor and to report in January, 1912. The report of this body is a document of 200 pages, followed by 100 pages of appendices. (*Report of the Commission to Investigate the Subject of the Cold Storage of Food and of Food Products Kept in Cold Storage*, Boston, 1912, pp. 308.)

The report proper contains an introductory statement in which the function of cold storage is discussed, and its technique and conditions attending its operation set forth. The main body of the report is devoted to a consideration of the effect of cold storage on health and on prices. This is followed by a review of existing legislation and a critical discussion of proposed legislative measures. Finally there is an excellent summary of the whole discussion.

In the appendices is given the commission's draft for a bill; laws and administrative regulations in other states and in Canada; wholesale prices of eggs, butter, and poultry in the Boston market, 1881 to 1890 and 1901 to 1910; statistics of refrigerating concerns in Massachusetts; resolutions of trade bodies; statements of witnesses; and official reports on cold storage.

The effect of cold storage on health, the report concludes, has been in general beneficial, in that it has brought about an expansion and diversification of food supply. The injuries, it finds "are occasional and temporary and can be eliminated by proper regulation" (p. 192). The report holds the weight of evidence to show that a retarded deterioration of perishable food products takes place in cold storage, and that this may affect the palatability of an article without impairing its wholesomeness or nutritive value. The time during which an article can be kept wholesome varies with different commodities and depends largely upon the methods used in preparing for storage. In the

absence of definite scientific determination of normal limits of storage for different commodities the commission concludes that "prolongation of cold storage beyond one year, even under correct conditions, appears to be undesirable and prejudicial to the public health" (p. 193).

With respect to the influence of cold storage on price the commission finds that the effect is to make prices lower and steadier (p. 193). It finds no tendency toward monopoly in the cold storage business (pp. 94 to 96), and it regards the kind of speculation involved as beneficial, in that it tends to diminish seasonal fluctuations in food-stuffs and to equalize supply and demand. In connection with the discussion of price a valuable chart is introduced, which shows, comparatively, price fluctuations of butter, eggs, and fowls in the Boston market, by months, for the decades 1881-1890 and 1901-1910. This and other data presented indicate for all three commodities less seasonal fluctuation in the latter decade and also a lower average price level for butter and fowl. The higher level for eggs in the later decade is explained by the increased use of eggs, especially for egg drinks, and by the fact that storage eggs are a less acceptable substitute for the fresh article than is the case with butter and fowl. No mention is made of the possible influence of general factors such as the relative purchasing power of money in the two decades.

The law passed in pursuance of the report, and which became operative on September 1, 1912, deviates in several important regards from the committee's recommendations. The following are the principal provisions recommended, together with those embodied in the law:<sup>1</sup>

1. Regulation to apply to fresh meat and fresh meat products, *except in the process of manufacture*, fresh food, fish, poultry, eggs, and butter [and any other food products that may be specified from time to time by the state board of health].

2. No cold storage warehouse to operate without a license issued for one year by the state board of health after inspection and approval of plant. Warehouses [to keep accurate records of receipts and withdrawals] to make quarterly reports to the state board of health, the board being empowered to close a warehouse if conducted in an unsanitary manner, and to suspend the license in case required changes are not promptly made.

3. No article of food to be placed in cold storage if deemed by the state board of health to be diseased, tainted or otherwise unwholesome,

<sup>1</sup>The brackets indicate matter contained in the commission's recommendations but not embodied in the law. *Italics* are used for *matter added* by the legislature.

the board and its authorized agents to have access to all establishments for such inspection as it may deem necessary to a proper enforcement of the act.

4. Products to be marked with the date of receipt into storage [and of withdrawal from storage] either on the containers or if not packed in containers, on tags in connection with the articles, *except fish*.

5. Time of holding in storage to be limited to twelve months, the state board of health to have power to extend the time for particular consignments [and to fix a shorter limit for any article of food if found desirable].

6. It shall be unlawful to offer for sale any cold storage article without notifying prospective purchasers *by the display of a sign marked "Cold Storage Goods Sold Here"* [the state board of health to determine to what extent tags, labels, signs and other provision shall be used to enforce the prohibition].

7. The return to storage of goods that have been withdrawn and put on sale prohibited.

8. Broken eggs packed in cases if not intended for use as food, when deposited in storage shall be marked in accordance with forms prescribed by the state board of health so as to indicate plainly that they are not to be sold for food.

9. State board of health may make rules and regulations for the enforcement of the act including rules and regulations with respect to [the sanitary preparation of articles of food for cold storage] the use of marks, tags or labels, and the display signs, and may fix penalties for the breach thereof.

10. Penalty for violation of act for first offense fine not to exceed one hundred dollars, for second offense fine not to exceed five hundred dollars or imprisonment not to exceed thirty days or both fine and imprisonment.

The law seems to apply to public and private warehouses alike, although at the beginning of the report it is stated that the commission "has not attempted to cover the operation of private refrigeration plants maintained by meat packing establishments, stores or hotels and offers in the report no finding with respect to this class of warehouses" (p. 10).

It would seem obvious that any legislation would have to reach warehouses of the sort excepted in order adequately to safeguard the public interest.

WILLARD E. HOTCHKISS.

THE FINAL REPORT OF THE NATIONAL WATERWAYS COMMISSION. The National Waterways Commission, appointed in 1909 by President Taft, completed its work in March, last, with the publication of its *Final Report* (Sen. Doc. No. 469, 62 Cong., 2 Sess., pp. 579). A preliminary report was sent out in January, 1910, shortly after the return of the members of the commission from Europe; and twenty-two other documents have appeared in the meantime, relating to various aspects of the waterway problem, both at home and abroad. The documents relating to foreign waterways were in the main prepared by the various consulates of Europe by request of the commission. These reports, in conjunction with the three volumes issued in 1909-1910 by the Commissioner of Corporations, and the report of Mr. Roosevelt's Inland Waterways Commission in 1909, furnish a wealth of material relating to internal waterways. Of the 579 pages, 65 constitute the *Final Report* proper, while the remaining 514 are appendices. The following recommendations are made:

(1) That the federal government should undertake, in conjunction with local interests, the construction of a canal from Lake Erie to the Ohio River, near Pittsburg.

(2) That a survey be made of the proposed canal route from Lake Erie to Lake Michigan, by way of the Maumee River, or other suitable route.

(3) Further legislation for protecting waterways from railway competition, and for establishing more amicable relations between the two agencies of transportation.

(4) Legislation for the control of public terminals.

(5) Legislation for the development and control of water-power.

(6) An investigation of the possibilities of a system of reservoirs along the Allegheny, the Monongahela, and their tributaries, similar to that recommended by the Pittsburg Flood Commission; the investigation to be made by a joint board of engineers, drawn from the corps of engineers of the United States Army and from the Geological Survey.

It will be observed that the commission suggests little in the way of developing a comprehensive system of canals and inland waterways. No recommendations are made in regard to the Lakes-to-Gulf Waterway, and, with the exceptions noted above, none of the multitude of projects before the country are endorsed. Like the *Preliminary Report*, the conclusions are decidedly conservative, and can hardly be regarded as valuable ammunition for the ardent advocates of water

transportation. Only one project is endorsed, and but one other is deemed sufficiently feasible to warrant surveys.

Even as to the feasibility of the Lake Erie and Ohio River Canal, the commission is not overly sanguine. While the traffic in this region is enormous, the amount that could be expected to travel by canal is evidently a matter of some conjecture. In the opinion of the commission, the amount of coal which it is expected the proposed canal would carry, has been overestimated.

The coal deposits in the Monongahela basin near the river are becoming depleted, so that it will be more expensive in the future to bring to the river the coal which is to be shipped in barges. This would make it more economical, as well as convenient, to patronize a railroad whose tracks reach directly to the mines. Furthermore, some of the coal lands most favorably situated for the shipment of their output by water, are owned or controlled by persons or corporations affiliated with railroad interests. Some allowance ought also to be made in both the estimate of the iron ore and coal traffic of the canal for the reason that many of the large iron and steel industries using these raw materials are more or less affiliated with the railroad interests, which are the largest purchasers of their manufactured products (p. 11).

On the whole, however, it is believed that the canal would be of undoubted economic value. It is to be regretted that the commission did not make a more thorough investigation of this project. But three pages are devoted to it, and the statements made appear to be, for the most part, mere expressions of opinion. It is indeed difficult to avoid the conclusion that the commission deemed it advisable to favor some canal project, and chose this one as being certainly the least doubtful of any.

In discussing the project of a canal from Lake Erie to Lake Michigan, the commission decides that a 24-foot waterway would be impracticable because of the enormous cost of construction, the difficulty of securing an adequate water supply, and the inability of such a canal to compete with the open lake route for vessels of large capacity. The commission recommends, therefore, that a survey be made with a view to the construction of a barge canal, similar to the Erie barge canal, with which it would form part of a through water route from New York to Chicago. The commission purports to have made a careful study of the traffic possibilities of this route; but the results are decidedly inconclusive and unconvincing. It is observed that the railways of this region are now carrying an enormous tonnage, and that the canal might be expected to supplement them to a considerable

extent; but no statistics of the relative cost by rail and water are presented, and there is no evidence to show that the railroads are either overburdened or incapable of indefinite expansion. A belief is also expressed that some traffic might be diverted from the Great Lakes. Finally, the commission points out that the agricultural produce of this region would doubtless make extensive use of such a canal. This conclusion is surprising, in view of the fact that agricultural produce nowhere, not even in Germany, makes any considerable use of waterways; for the reason that agriculture is a decentralized industry, and the cost of collecting its produce and transshipping it to water routes is usually prohibitive. The commission evidently gave no thought whatever to the question of transshipment.

Again, in recommending legislation for the promotion of coopération between waterways and railways, the commission does not raise the question of the cost of breaking bulk in transit. It is recognized that the waterways cannot hope to enjoy a large measure of success, without an extensive transshipping business with the railroads; but it is believed that such an exchange of commodities between railroads and waterways may be secured through the agency of the Interstate Commerce Commission. To this end it is recommended that the power of the Interstate Commerce Commission in regulating freight rates be extended to include all interstate waterways, whether independent, or railway owned, or controlled. It is interesting in this connection to call attention to the fact that France has never been able to develop a transshipping business, and that Germany has done so only by means of enormous subsidies. It is disappointing that the commission has not come to closer quarters with this fundamental aspect of the problem.

Some valuable information is contributed on the feasibility of reservoirs as a means of controlling floods. Appendices II, III, and IV contain the arguments of M. O. Leighton, Robert Follansbee, and W. H. Bixby, pro and con, upon this debatable question. These discussions, together with the debates which appeared in "*The Engineering News*," in 1908,<sup>1</sup> furnish a very complete analysis of the problem. The commission evidently believes there is some future for reservoirs, but urges very careful investigations of specific projects as a preliminary to possible expenditures in this direction.

The discussion of the influence of afforestation upon navigation and flood prevention is also very valuable. Appendix V, prepared by

<sup>1</sup> May 7, June 11, June 24, Oct. 8, Nov. 4.

Raphael Zon, Chief of Sylvics of the U. S. Forestry Service, is an excellent and comprehensive study of the entire problem, with extensive reference to foreign experience. This report covers 70 pages, and is followed by an exhaustive bibliography of 28 pages.

Appendix IX, prepared by E. O. Merchant, expert of the commission, is entitled *A Comparison of American and European Waterways*; and gives a brief and fairly satisfactory account of the history of water transportation in the principal countries during the past century. Especially to be commended is Mr. Merchant's emphasis on the importance of economic factors as affecting water transportation. Some of the conclusions reached may well be noted here. First, it is pointed out that to be successful a waterway must lie in the direction of a very large traffic movement. Second, a large traffic will arise only where there is an abundance of a very few bulky commodities, such as coal, ores, and building materials. Third, an extensive traffic by a waterway cannot be expected unless there are large industrial centres along its banks. "There is no instance of a waterway carrying a large traffic where such conditions do not exist" (p. 516). Mr. Merchant concludes that the fundamental reason for the small traffic on many of the rivers of the United States is their unfavorable location in relation to available traffic. In this appendix is presented an extensive comparison of rail and water rates in Europe and in the United States, tending to show that there is usually a decided advantage in shipping certain classes of commodities by water. This portion of the study, however, is likely to lead to erroneous conclusions. Mr. Merchant is presenting a comparison of *rates*, not a comparison of the *cost* of transportation by rail and by water. Unfortunately he does not warn the reader of this distinction, and accordingly the inference likely to be drawn by the casual reader is that water transportation is usually much cheaper than that by rail. That Mr. Merchant himself does not necessarily entertain this opinion appears in a later section devoted to the *Relative Cost of Transportation by Rail and Water*, in which attention is called to the fact that the rates compared do not usually include the same elements of cost in both cases. For instance, in the case of waterways they seldom include interest or profit on the capital invested in the highway itself, and often not even maintenance charges; whereas, in the case of railways, they almost invariably include all these items. "Any comparison between the cost of transportation by rail and by water will be of value only when the two rates include similar items of cost. Few



such comparisons have ever been made" (p. 574). Mr. Merchant thus recognizes the fundamental fallacy in the argument that water transportation costs only a fraction of that by rail. And it is regrettable that he did not devote more space to tables of comparative *cost*, and less to misleading tables of *rates*, admittedly based on totally dissimilar elements of cost. It can be shown that water transportation, at least canal transportation, is almost universally more costly than rail transportation, if all the items of cost are included in both cases.

On the whole, it may be said that the work of this commission has been distinctly above the ordinary. An enormous amount of material has been collected; and on some aspects of the problem considerable discrimination has been exercised in arriving at conclusions. The appendices are perhaps the most valuable part of the report, though the commission disclaims any responsibility for the conclusions presented therein. In the opinion of the writer the *Report of the National Waterways Commission* is decidedly superior to that of the British Royal Commission of 1906 on the same subject.

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The Bureau of Manufactures and the Bureau of Statistics, both of the Department of Commerce and Labor, have been consolidated into the Bureau of Foreign and Domestic Commerce, in accordance with the act of Congress approved on August 23, 1912. With the exception of collecting internal-commerce statistics, for which no appropriation was made, the work heretofore carried on by the two bureaus will be continued by the new bureau, which is in addition charged with the duty of making certain investigations of comparative costs of production of dutiable articles and related subjects heretofore entrusted to the Bureau of Labor. No appropriation, however, was made to enable the Bureau of Foreign and Domestic Commerce to carry on this new work. Aside from the administrative branches, the organization of the new bureau consists of three divisions: (1) Statistics, (2) Consular Reports, and (3) Foreign Tariffs. The chief of the new bureau is Mr. A. H. Baldwin, formerly head of the Bureau of Manufactures, and the first assistant is Mr. O. P. Austin, formerly head of the Bureau of Statistics.

In the interest of promoting trade, the Department of Commerce and Labor has recently made an investigation of the activities of boards of trade and chambers of commerce in some 70 American cities. The

results are now published as "Special Agents Series," No. 60, *Commercial Organizations*, by E. A. Brand (Washington, 1912, pp. 48). The material is arranged topically under the headings: Development of Foreign Trade; Encouragement of Wholesale Trade; Promotion of Retail Trade; Transportation; Industrial Expansion; Industrial Expositions; Conventions; Civic Improvements; Membership; Publicity.

The first five sections of a report being prepared by Professor Emory R. Johnson on *Panama Canal Traffic and Tolls* has been published as a Senate document (Sen. Doc. No. 575, 62 Cong., 2 Sess., 1912, pp. 95, maps). The titles of the specific chapters are: Distances via Panama, Canal and Alternative Routes, Tonnage of the Vessels Employed in the Commerce that Might Have Advantageously Used the Panama Canal in 1909-1910, Growth of Available Canal Traffic 1899-1911, Relation of Tolls to the Volume of Traffic through the Canal; Tolls the Traffic will Bear, and Coaling Facilities and Coal Costs via the Panama Canal and Alternative Routes. There has also been published by the Isthmian Canal Commission a further study by Professor Johnson on *The Relation of the Panama Canal to Traffic and Rates of American Railroads* (pp. 42).

Mr. Royal T. McKenna has prepared for the United States Department of Agriculture a statistical compilation entitled *Annual and Average Production of and International Trade in Important Agricultural Products by Countries* (Washington, Circular 31, July 29, 1912, pp. 30). The percentage which each country contributes to the world production and similar figures for exports and imports are given. It furnishes a most useful survey of the part which the United States plays in world commerce.

The Department of Agriculture has issued Circulars 32, 33, and 35, dealing respectively with *Cotton Crop of the United States, 1790-1911*; *Tobacco Crop of the United States, 1612-1911*; and *Hop Crop of the United States, 1790-1911*, all compiled under the direction of Mr. George K. Holmes (August 15, 1912, pp. 9, 12, 8). Brief bibliographical notes are given designating sources of information.

The extraordinary growth of the commerce of the United States is described by Hon. O. P. Austin in an address *Progress of American Commerce and Industries, 1870 to 1912*, recently delivered before the American Association for the Advancement of Science, printed in the *Congressional Record*, July 17, 1912, and issued as a reprint (pp. 16).

That the Bureau of Corporations is not engaged wholly in the investigation of corporations is seen in the report on *Cotton Tare* (Washington, September 3, 1912, pp. 53). This deals more particularly with the operation of contracts of foreign cotton exchanges, in response to complaints that cotton growers were subject to serious injury because of excessive deductions for bagging and ties made in European markets. The report contains an abundant amount of technical data in regard to a subject on which there has hitherto been little available information.

*English Methods of Dyeing, Finishing, and Marketing Cotton Goods*, Bulletin No. 56 in the "Special Agents Series" of the Department of Commerce and Labor (Washington, 1912, pp. 35), contains a few references to combines in the textile trade, and the economies which have been thereby effected.

Interesting evidence of the effect of American methods upon the manufacture of shoes in European countries is found in the reports of the Bureau of Manufactures of the Department of Commerce and Labor. Three bulletins have now been issued dealing with the shoe and leather trade in the United States, Germany, France, and Switzerland.

The hearings before the House Committee on Agriculture on *Cotton and Grain Option Bills*, held in March and April, 1912, have been printed in a separate document (Washington, pp. 322).

From the *Twenty-fifth Annual Report on the Statistics of Manufactures for 1910*, for Massachusetts, it appears that while the very small establishments constitute 23.6 per cent of the total number in that state, their product amounts to only one half of one per cent. Wages are classified for certain industries on the percentage group principle (p. xxii).

The Bureau of Immigration and Naturalization of the Department of Commerce and Labor has issued a series of pamphlets on *Agricultural Opportunities*, which will be of service in choice of state for settlement (Washington, 1912, Nos. 1-7).

Bulletin 47, *Notes on Mineral Waste*, by Charles L. Parsons, published by the Bureau of Mines (Washington, 1912, pp. 44), contains precise data of service to students of economic resources. "During the past year in producing 500,000,000 tons of coal we wasted or left under ground, in such condition that it probably will not be recovered in the future, 25,000,000 tons of coal."

The subject of waste is also treated in a pamphlet, issued by the Department of Agriculture, entitled *The Reduction of Waste in Marketing*, by Frank Andrews (Washington, pp. 165-176). Reference is made to waste due to slowness of delivery and the glutting of markets.

The "Bulletin of the Indiana State Library" for September, 1912, contains bibliographical material, entitled *A Guide to the Study of Conservation* (Indianapolis, pp. 12). This includes a list of organizations devoted to the work of conservation.

Among recent public documents relating to Canada are to be noted: *The Canada Year Book, 1911. Second Series* (Ottawa, Census and Statistics Office, 1912, pp. xli, 454) containing census figures for 1911; *Canada. Her Natural Resources, Navigation, Principal Steamer Lines and Transcontinental Railways*, published by the Twelfth Congress of the Permanent International Association of Navigation Congresses (Ottawa, Department of Marine and Fisheries, 1912, pp. 287, illus.); *Commission of Conservation, Canada. Third Annual Report* (Ottawa, 1912, pp. 154); *Annual Report on the Mineral Production of Canada, 1910* (Ottawa, Department of Mines, 1912, pp. 328); *Water Power of Canada*, by George G. Denis and Arthur V. White, published by the Commission of Conservation of Canada (Ottawa, 1911, pp. 397).

### Corporations

Supplementary to the *Hearings* before the House Committee on Patents (AMERICAN ECONOMIC REVIEW, vol. II, p. 723) is the Oldfield report on *Revision of Patent Laws* (H. Rep. No. 1161, 62 Cong., 2 Sess., August 8, 1912, pp. 29) containing a draft of a proposed bill. It is recommended that a patent be limited to 19 years from date of filing application in order to check procrastination and shorten the duration of the monopoly. The bill also aims to prevent the "shelving" of competitive patents, and forbids the use of a patent to restrain unreasonably or to monopolize any part of interstate or foreign commerce, "except in such articles as and to the extent that they embody the invention or discovery so patented." Unreasonable restraint is defined as an attempt to restrict the price at which the article may be resold, or to restrict the purchaser from dealing in other articles. Representative Oldfield will be pleased to distribute this report and to receive comments.

The *Hearings* before the Senate Committee on Interstate Commerce, authorized under Senate Resolution 98, on changes in laws regulating

corporations engaged in interstate commerce, have now been issued in three volumes (Washington, 1912, pp. 2799; see AMERICAN ECONOMIC REVIEW, vol. II, p. 424).

The Department on Regulation of Utilities, of the National Civic Federation, of which Professor John H. Gray is director, has published a preliminary pamphlet on *Organization of Railroad and Public Utility Commissions* (1 Madison Ave., New York, 1912, pp. 46). This is one of 15 parts of a compilation and analysis of public utility regulation laws of the United States to be printed, and comprises a compilation of the names of commissions, showing their number, manner of selection, terms of office, salaries, qualifications for membership, provision of funds, and duties of officers.

The Railroad Commission of California has issued *Regulations Prescribing the Form and Governing the Construction and the Filing of Freight and Express Tariffs and Classifications and Passenger Fare Schedules*, adopted June 24, 1912 (San Francisco, pp. 126).

In a recent order and conference ruling, July 8, 1912, the Board of Public Utility Commissioners of New Jersey lays down the general principles under which it will approve the issue of securities (Trenton, pp. 13).

From the Department of Justice has been received the brief and argument on behalf of the United States in the Intermountain Rate cases, before the Supreme Court of the United States in the October term, 1911 (pp. 84).

Special phases of the rate problem are treated at length in the briefs submitted before the Interstate Commerce Commission on *Export and Import Port Differentials*. Among those received are two prepared by James M. Swift, Attorney General of Massachusetts, and Charles S. Hamlin, of Boston.

The Public Service Commission for the First District, New York, has published a pamphlet on *Dual System of Rapid Transit for New York City* (New York, September, 1912, pp. 54) in which an account is given of the recent proposals and settlement of conflicting plans.

The Harbor and Subway Commission and Subcommittee of the Council Committee on Local Transportation, of Chicago, have recently submitted a *Joint Report on a Comprehensive System of Passenger Subways for the City of Chicago* in which the methods of financing such a system are discussed.

The Bureau of Railway News and Statistics (1409 Railway Exchange Building, Chicago) has published, under date of September, 1912, a leaflet entitled *New Zealand Railways not Comparable to American*, by Mr. Slason Thompson, a reply to an article by Mr. Charles Edward Russell in "Pearson's Magazine," for September, 1912. It is claimed that New Zealand railways carry a greater capitalization per mile of track and have a less efficiency according to mileage.

#### Labor

The *Bulletin of the Industrial Commission of Wisconsin*, Vol. I, No. 3 (pp. 67-136) under date of July 20, 1912, contains the first annual report of the Administration of the Workmen's Compensation Act, which went into operation May 3, 1911. It is noted that up to June 30, 1912, 435 employers, with 63,728 employees, had accepted the provisions of the act. The per cent of accidents under compensation to the total number (not including railroad accidents) was 25.4. The old line insurance companies have agreed upon rates for compensation which are about double those charged for common law liability, and, on account of this discrimination, it is believed that the subject of liability insurance should next receive legislative attention. As yet only two mutual insurance companies have been organized. Although the rate of compensation authorized by the Wisconsin law is high, the commission believes that there is no evidence of malingering. It is suggested that the New Jersey plan of compensation according to certain definable injuries has some advantage of administration over the Wisconsin principle of compensation according to wage. Approval is also given to the provisions of the California act whereby future, as well as current, wages are taken into account in determining the compensation. Of technical interest in this bulletin are the pages devoted to the rules and interpretations of the Industrial Commission. No. 3A (pp. 137-145) discusses the nature and causes of accidents reported to the commission.

*Bulletin of the Industrial Commission of Wisconsin*, Vol. I, No. 4 (Madison, August 20, 1912, pp. 149-229) contains an account of the various activities of the commission. Of special interest is the reference to the workings of the new apprenticeship law enacted in 1911 (p. 202). An historical summary of child labor legislation in Wisconsin is given (pp. 183-188).

Part I of the *Report of the West Virginia Employers' Liability and Laborers' Compensation Commission* (Professor P. B. Reynolds, sec-

retary, Morgantown, 1911, pp. 274) contains a digest of the liability and compensation laws of the several states, and copies of the most important bills which have been drafted and recommended by commissions. A supplementary report of recommendations is to be made.

The Legislative Reference Bureau of the Rhode Island State Library has published a bulletin on *Employer's Liability and Workman's Compensation* (Providence, January, 1912, pp. 69) in which there is a digest of laws, a proposed bill and arguments, and a brief bibliography.

In connection with the discussion of hours of labor in the steel industry, referred to in the REVIEW, June, 1912, p. 445, reference should be made to a recent *Report of Committee of Stockholders of the United States Steel Corporation* (April 15, 1912, pp. 17) in which the work of the Steel Corporation in ameliorating labor conditions is described and endorsed.

In addition to the usual statistical tables, the *Twenty-ninth Annual Report of the Department of Labor of Michigan* for 1911 (Lansing, 1912, pp. 495) summarizes the progress which has been made in that state in the limitation of hours of labor of women and children. The free employment agencies are believed to be undertaking a successful and useful work.

The growing interest in health conditions of workmen is evidenced in a recent report of the State Board of Health of Massachusetts on *Hygiene of the Boot and Shoe Industry of Massachusetts*, by William C. Hanson and William A. Walcott, officers of the State Board (Boston, 1912, pp. 13). The pamphlet is generously illustrated.

"Accident Bulletin," No. 5, of the Bureau of Labor, Industries and Commerce of Minnesota contains the *Proceedings of the Minnesota Industrial Safety Conference*, held in December, 1911 (pp. 61).

"Labor Bulletin," No. 93 of the Massachusetts Bureau of Statistics, contains a *Directory of Labor Organizations in Massachusetts, 1912* (August, 1912, pp. 39).

The Bureau of Statistics of Massachusetts has published the *Twelfth Annual Report on Strikes and Lockouts*, for 1912 (Boston, 1912, pp. 62).

Additional *Hearings* on the Erdman act (see REVIEW, September, 1912, p. 725) have been published for April 15, 1912 (pp. 51). This includes the testimony of Judge Knapp and Commissioner Neill.

The *Proceedings of the Twenty-fifth Annual Convention of the International Association of Factory Inspectors*, held in 1911, may be obtained from its secretary, W. W. Williams, St. Louis, Mo. (pp. 141).

The Department of Labour of Canada has issued a special *Report on Labour Organization in Canada, 1911* (Ottawa, 1912, pp. 124) containing a brief account of international unions. In proportion to population, the number of members in trade-unions in Canada is not quite so large as in the United States.

Students interested in coöperation may obtain the *Twenty-sixth Report* of the Labour Copartnership Association of England upon application (6 Bloomsbury Sq., London, W. C., pp. 35, 2d.).

The Industrial Accidents Commission of Pennsylvania, appointed in February, 1912, has been engaged in making an investigation, and has drawn up a tentative act providing for employers' liability and workmen's compensation. The commission expects to submit its report within a short time. It is understood that a workmen's compensation law is to be recommended which will be elective in character, as a compulsory act would be unconstitutional. The customary defenses are removed to induce employers to adopt the principle. The scale of compensation to be proposed is quite similar to that in a majority of the acts already in preparation in the United States. One novel feature, however, is that in case of complete and permanent disability, compensation is to be continued after the customary 300 weeks at a low rate through the remainder of life. The secretary of the commission is Mr. Francis H. Bohlen, 34th and Chestnut Streets, Philadelphia.

### Money, Prices, Credit, and Banking

**RURAL CREDIT.** The platforms of the three leading political parties contain sections pledging the respective parties to the improvement of rural credit conditions if placed in power. The Republican administration, through the State Department, is at the present time collecting all possible information on rural credit activities in European countries and publishing reports as rapidly as data are made available. President Taft has notified the governors of the respective states of the desirability of improving rural credit and has indicated that a special conference of governors would not be out of place. He has also urged state legislation along this line. The Southern Commercial Congress is in charge of a movement to assemble a commission of one hundred members, to be made up of two members from each state, to tour



Europe during the early summer months of 1913 investigating rural credit systems and other problems of coöperation. Practically every program appearing in connection with farmers' institutes, national farmers' congresses, and agricultural workers carries one or more titles on rural coöperative subjects with rural credit holding first place.

J. L. C.

At the Fifth International Congress of Chambers of Commerce, Boston, Professor Irving Fisher of Yale University presented the official report on the topic for one of the sessions, "An International Conference on the Cost of Living." Professor Fisher sketched the history of the movement for an international conference, showing that the proposal arose from the persistent rise in prices since 1896, following a persistent fall for a quarter of a century. He spoke of the almost universal endorsement the plan had received both in this country and abroad, of the fact that President Taft in a special message recommended a conference, and that the Crawford-Sulzer bill, calling for such a conference, had passed the Senate and is now awaiting action by the House. At the close of Professor Fisher's address a resolution was unanimously passed endorsing the plan for such a conference, also recommending that when called, there should be laid before it the suggestion of the National Hungarian Commercial Association, recommending an investigation to secure a uniform system for constructing index numbers of prices. In order to illustrate the important subjects which might profitably be considered by such an international conference, Professor Fisher explained briefly a suggestion of his own for making the purchasing power of the dollar more stable by virtually increasing the weight of the dollar in proportion to each successive rise in the index number of prices; and for a fuller statement he referred his hearers to the last chapter of his book on *The Purchasing Power of Money*, and a mimeographed memorandum which he distributed at the Congress.

A commission has recently been appointed by the government of New Zealand to make a thorough inquiry into the subject of the rising cost of living in that country. It will have sittings at Dunedin, Christchurch, Wellington, and Auckland to examine witnesses and to call "for and examine all such books and records as are deemed likely to afford the fullest information on the subject matter of the inquiry."

Under date of March 13, 1912, President Taft transmitted a message on *Coöperation and Cost of Living in Certain Foreign Countries*

(H. Doc. 617, 62 Cong., 2 Sess., pp. 248). The bulk of the volume is made up of consular reports with an analysis by the Bureau of Trade Relations, Department of State.

The Bureau of Labor has issued two bulletins, *Retail Prices, 1890 to 1911* (Washington, No. 105, Part I, pp. 48) and *Retail Prices, 1890 to June, 1912* (No. 106, Part I, pp. 31). It is announced that the Bureau plans to publish a current price report every two months.

*The Congressional Record* for August 14, 1912 contains the speech of Senator Fletcher in regard to agricultural credit. In this speech is incorporated the complete proceedings of the fourth annual convention of the Southern Commercial Congress, held in Nashville, Tenn., April 1-10, regarding the plan of an investigation in Europe of rural finance.

Further issues on the *Money Trust Investigation* have appeared. Part 3 (pp. 171-267) contains the testimony of Mr. Sherer, manager of the New York Clearing House Association; Part 4 (pp. 269-342), the testimony of Messrs. Vanderlip, Hepburn, Ely, secretary of the New York Stock Exchange; Part 5 (pp. 343-411), Mr. Cannon, Mr. Mabon, president of the New York Stock Exchange; and Part 6 (pp. 414-504), Mr. Cortelyou in regard to the relief of the money market in 1907.

### Public Finance

#### *Editor of The American Economic Review:*

In an article on the "Report of the Tariff Board on Wool and Woolens," published in the issue of this REVIEW for June, 1912, I referred at page 257 to some statistics on the efficiency of American weavers as being "nothing more than the raw material on which a report might be based." Mr. F. J. Sheridan, who had a large part in gathering and arranging this material for the Tariff Board, calls my attention to the fact that, preceding the hundred pages on which the figures are given in detail, are summarized statements of the results (at pp. 1045 seq. of the *Report*). It cannot be fairly said, in view of these valuable summaries, that only the raw material for a report was given, and I am glad to call attention to the need of correction in my statement. Whether it still remains true that the plan of the report on woolens could have been improved, and whether it contains such comparisons between foreign and domestic costs as were expected from the Board, I leave to the judgment of the conversant reader.

F. W. TAUSSIG.

PROPOSAL FOR A NATIONAL BUDGET. On June 27, President Taft transmitted to Congress, with a special message, a report by the Commission on Economy and Efficiency dealing with *The Need for a National Budget* (H. Doc. 854, 62 Cong., 2 Sess., 1912, pp. vii, 568). The report is divided into three parts, to which are added a number of appendices.

Part I describes in detail the present practice in regard to the compilation and submission of estimates to Congress by the Secretary of the Treasury, the consideration of estimates and enactment of appropriation bills by Congress, and the policy of Congress with respect to the control of expenditures by administrative officers.

Part II embodies the recommendations of the commission with a full explanation of their purpose, and a discussion of the considerations on which they are based. These recommendations are summarized as follows:

1. That the President, as the constitutional head of the executive branch of the government, shall each year submit to Congress a budget.
2. That the budget so submitted shall contain:
  - (a) *A budgetary message.*
  - (b) *A summary financial statement* setting forth:
    - (1) The financial condition;
    - (2) A statement of the condition of appropriations and other data pertaining to the funds of the government;
    - (3) An account of revenues and expenditures for the last completed fiscal year; and
    - (4) A statement showing the effect of past financial policy as well as of budget proposals on the general-fund surplus.
  - (c) *A summary of expenditures*, classified by objects, setting forth the contracting and purchasing relations of the government.
  - (d) *Summaries of estimates*, setting forth:
    - (1) The estimated revenues; and
    - (2) Estimated expenditures.
  - (e) *A summary of changes in law*, setting forth what legislation it is thought should be enacted in order to enable the administration to transact public business with greater economy and efficiency.
3. That the Secretary of the Treasury be required to submit to Congress the following detailed reports:
  - (a) *A book of estimates*, containing the supporting details to the summaries of estimates of expenditure contained in the budget.
  - (b) *A consolidated financial report*, containing a detailed statement of revenues and a consolidated statement of expenditures by departments and establishments for the last five fiscal years, with explanatory matter.

To provide for the carrying out of the above proposal it is recommended that the necessary changes in the accounting systems of the

departments be made, and it is also suggested that "the President recommend for the consideration of the Congress such changes in the form of the appropriation bills as will enable the government to avail itself of the benefits of the exercise of discretion on the part of the executive in the transaction of current business in order that the government may do work and accomplish results with economy and efficiency as well as definitely fix responsibility for failure so to exercise such discretion."

It should be noted that the commission being appointed by, and reporting to, the President, confines its recommendations, with the exception just noted, to the preparation and presentation of the budget by the executive and does not attempt to deal with the organization and practice of Congress for the purpose of considering the budget and enacting it into law.

Part III contains the tabular forms for the proposed budget statements and supporting documents, filled out, so far as possible, with figures taken from current reports and estimates, while the appendices furnish digests of the laws governing the preparation and submission of estimates, appropriations and allotments; a description of the reports submitted to Congress by the departments; a bibliography of congressional inquiries into methods of conducting business by the executive departments; and the answers to a questionnaire on budget practices submitted to a long list of foreign governments.

Taken as a whole the report furnishes a vast amount of information in regard to budgetary practices in this and other countries and represents the first attempt to work out in detail a real budget statement for the United States.

On July 10 the President issued an order to the heads of departments directing them to prepare two sets of estimates, one in accordance with existing legislative requirements and practice, the other in accordance with the forms suggested by the commission, and announced his intention of sending to Congress a budget statement. With a view to preventing the carrying out of this intention, Congress incorporated in the legislative, executive, and judicial appropriation act a provision "that until otherwise provided by law, the regular annual estimates of appropriations for expenses of the government of the United States shall be prepared and submitted to Congress by those charged with the duty of such preparation and submission, only in the form and at the time now required by law, and in no other form and at no other time."

In a letter dated September 19 and addressed to the Secretary of

the Treasury, the President maintains that in so doing Congress has exceeded its authority, and directs the Secretary of the Treasury and the heads of departments to proceed with the preparation of statements in accordance with his order of July 10.

It is to be hoped that the President will carry out his intention.

H. B. G.

**THE FEDERAL CORPORATION TAX ON LIFE INSURANCE.** The federal corporation tax law of 1909 provided that every insurance company should pay a special excise tax equivalent to one per cent upon the net income received by it annually from all sources, exclusive of amounts received as dividends from the stock of other corporations. The method of determining the net income was provided for in the law, specifying that the gross income must be stated and that the expenses of the business, losses and depreciation, interest, taxes, and dividends from other companies might be deducted from the gross income to find the net income taxable by law. The Commissioner of Internal Revenue prepared the proper blanks for assessing the various life insurance companies, and collected the same for the years 1909 and 1910.

The Mutual Life Insurance Company of New Jersey brought suit early in 1912 against the United States collector in the district court for the district of New Jersey, claiming that the tax was paid under duress, and that the corporation act had been wrongly interpreted in holding that the dividends paid by the company to its policy holders had been included within the net income taxable by law. Counsel for the company and for the United States agreed upon the essential facts upon which a judgment should be rendered.

The court in the discussion of the case summarized the points at issue as follows: "First, whether certain so-called dividends are or are not 'income received' within the meaning of the statute; second, whether certain so-called 'supplementary policy contracts' should be represented in the reserve funds; third, whether for the purpose of taxation the corporation's statement should be made on a 'cash' or on a 'revenue' basis; and lastly, whether expenditures for replacing furniture, etc., should be considered as an investment or an expense."

After a discussion of the law, and a somewhat more extended inquiry into the nature of life insurance dividends, the court decided in favor of the company on all the points at issue.

It is interesting to note that while the law is particularly explicit in requiring that all accounts should be upon the basis of items actually paid or received during the year, the Commissioner of Internal Revenue

has uniformly held in his administrative rulings that the reports of all corporations must be made upon the accounting principle of charging upon the books the transactions occurring during each year whether paid for or not. In the decision of the court, the principles of accounting upon which the act was based by Congress were strictly adhered to. The court italicizes in several cases the words "actually paid" and states that since only such deductions from gross income as are actually paid during the year are to be included in the accounts, it would be unfair if the company were charged with what it had not received during the year. In confirmation of this point the court states, "Money earned as interest, however well secured or certain to be eventually paid, cannot, in fact, be distributed as dividends to stockholders, and does not constitute surplus profits within the meaning of the statute."

While the Commissioner of Internal Revenue was undoubtedly correct in his ruling when the question is considered from the economic and accounting point of view, it is also equally true that the court has interpreted the law in accordance with the intentions of the legislators and according to the ordinary meaning of the language used in the act.

By adhering to a strict interpretation of the language of the statute, the court has exempted the insurance companies from a burden which the United States Congress presumably desired to place upon them, but from which, under the general theory of the corporation tax, they should be exempt.

MAURICE H. ROBINSON.

*University of Illinois.*

*Hearings* before the Subcommittee of the House Committee on Appropriations in charge of the Sundry Civil Appropriation bill for 1913, relating to the President's Commission on Economy and Efficiency (Washington, 1912, pp. 175), contains the testimony by Mr. F. A. Cleveland, chairman of the commission, in which there is much useful information in regard to accounting and methods of preparing the federal budgets.

In continuation of the record of tariff documents is to be noted the *Veto Message Relating to Wool Bill*, published as House Document, No. 903, 62 Cong., 2 Sess. (August 9, 1912, pp. 4.)

On May 31, 1911, a law was passed in Ohio limiting the tax rate. For 1912 it could not exceed the rate for 1911 plus six per cent, and in general was not to exceed one mill on the dollar. The author of an instructive article in "Collier's Weekly" (*A Premium on Lying*, by A. J. Nock, June 15, 1912) points out that the rapidly growing cities of

the state have been sadly crippled in their school work by this limitation upon their revenues. A few cities have managed to meet the growing demands upon them by the use of accumulated surpluses, but after this year that resource will be exhausted. Other municipal functions are or soon will be similarly hampered. The original passage of the law is attributed to the influence of the tax commission, which believes strongly in the enforcement of the general property tax, and hopes by this measure to make it popular. It may be noted in passing that the failure of the recent constitutional convention in Ohio to provide for adequate revision of the taxation sections of the old constitution was due to the same influence. Ohio has not merely taken a step backward in matters relating to taxation, but has failed to avail herself of the best opportunity to advance that has been presented in sixty years.

E. L. BOGART.

The State Tax Commission of Wisconsin has issued a new compilation of the laws of the state relating to *Assessment and Collection of Taxes*, including explanatory notes and decisions (Madison, 1912, pp. 198). The last previous edition was published in 1906.

The Minnesota Tax Commission has issued a reprint of the recent law enacted in 1911 relating to the *Assessment and Taxation of Money and Credits with the Text of the Decision of the Supreme Court Sustaining the Constitutionality of the Law and Denying the Right to Deduct Debts from Credits* (St. Paul, 1912, pp. 12).

A second edition of the *First Annual Report of the New Hampshire State Tax Commission* has been published (Concord, March, 1912, pp. 104, 69).

The Municipal Finance and Taxation Committee of the Civic League of St. Louis, has issued a leaflet on *The Taxation Amendments to the State Constitution* (St. Louis, Henry B. Wallace, chairman).

The Bureau of Municipal Research of New York has compiled its activities in a pamphlet *Six Years of Municipal Research for New York City, Record for 1906-1911* (261 Broadway, 1912, pp. 80).

The Department of Taxes and Assessment of the City of New York has published, for use by its deputy tax commissioners, a pamphlet in regard to *Factors of Value of New Buildings and Explanation of Land Value Maps* (1912, pp. 22).

Students interested in the development of the agitation for the taxation of land values in Great Britain will find useful data in the *Fifth*

*Annual Report of the United Committee for the Taxation of Land Values, 1911- 1912* (11 Tothill St., Westminster, London, W. C.).

The British Departmental Committee on Local Taxation has published with its first report two appendices containing *Minutes of Evidence* (Cd. 6303 I, 4s.) and *Memoranda* (Cd. 6303 II, 1s. 4d.).

In Vol. XVIII, No. 1, of *Mitteilungenden des k.k. Finanzministeriums* of Austria (Vienna, 1912, pp. 665) may be found the bibliography of Austrian financial literature for 1911, covering 37 pages.

"Tariff Series," No. 28, of the Department of Commerce and Labor, is entitled *Customs Tariff of Japan*, in which there is a brief tariff history, prepared by Frank R. Rutter (Washington, 1912, pp. 88).

Recent pamphlets published by the World Peace Foundation (29A Beacon St., Boston) having some financial interest are *The Drain of Armaments*, which contains statistics showing the cost and relation to national indebtedness of military and naval establishments; and *Syndicates for War*, formerly published as London correspondence of the "New York Evening Post," in which the influence of the manufacturers of war material upon military and naval estimates is discussed.

At the annual conference of the National Tax Association, held in Des Moines, September 3-5, the chief topics of discussion were: separation of state and local revenue in California; taxation of public service corporations in Minnesota; experience with 3-mill tax on moneys and credits; first year of state income tax in Wisconsin; first year of "model inheritance tax law" in New York; suggestions for a practical plan of forest taxation; proposed improvements in Iowa tax laws; special tax commissions and the problems they are studying; tax reform in Louisiana; state conferences and associations.

### Insurance

William T. Emmet, superintendent of insurance of New York, at the National Convention of Insurance Commissioners, held in July, 1912, gave an address on *Adequate Reserves against Employers' Liability and Workmen's Compensation Risks* which has been reprinted as a pamphlet (pp. 11). Legislatures have only recently begun to fix the reserves of liability companies and in view of the rapid enactment of workmen's compensation laws, the need of adequate reserves will assume new importance.

*The Report of the Special Fire Insurance Committee of the Louis-*



*ville Board of Trade* (March 26, 1912, pp. 53) contains the text of the act creating a state insurance board, March, 1912, and excerpts of the publications which have been issued by the committee since its organization.

The argument of Mr. George H. Holt, presented to the Illinois Insurance Legislative Committee of Chicago, January, 1912, on *State Control of Fire Insurance*, has been printed as a pamphlet. The author pleads for the creation of a separate board, as has been recently enacted in Kentucky (Chicago, Policy Holders' Union, pp. 30).

### Demography

The *Special Report on Immigration* into Canada, by Arthur Hawkes, Commissioner (Ottawa, Department of the Interior, 1912, pp. 93) is written with a freshness both of views and of style not common in government bluebooks. The author is an English journalist who has made his home in Canada for some years, and was prominent in the campaign against reciprocity a year ago. Attention is concentrated on the needs of the eastern provinces for closer settlement and more intensive agriculture; as the experienced and adaptable American settler goes mainly to the prairie west, reliance must be placed, according to the commissioner, on the British Isles. So far as existing conditions are concerned, United States readers will find of most interest the references to the remarkable advertising campaign carried on by the Dominion, Australia's recent and lavish bid for immigrants to meet the yellow peril, the change in rural conditions in the United Kingdom, and the prejudice against Englishmen in Canada. One remarkable fact noted is that whereas as late as 1900 only one of every three emigrants from the United Kingdom went to other sections of the British Empire, now four of every five remain under the flag. The improvements suggested include more systematic coöperation between provincial and federal authorities, a more personal campaign, a more friendly attitude toward local and charitable authorities in Britain, and utilization of national credit to further settlement, not as in the past, by subsidizing railways, but by preparing ready-made farms for settlers—an expedient which the provinces of Nova Scotia and New Brunswick and the Canadian Pacific Railway have already begun.

O. D. S.